2008–2009 Financial Report

Missouri State University Foundation

Missouri State University is a public, comprehensive university system with a mission in public affairs, whose purpose is to develop educated persons while achieving five major goals:

- democratizing society
- incubating new ideas
- imagining Missouri's future
- making Missouri's future
- modeling ethical and effective behavior as a public institution

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Each year, thousands of private contributions from a variety of sources have been given in support of the University.

During Fiscal Year 2009, the Foundation experienced the largest giving total in one year for projects and programs throughout the University, including scholarships, facilities, faculty development and research.

From July 1, 2008, through June 30, 2009, the Missouri State University Foundation received 31,689 gifts from 24,827 donors, totaling $15,044,534 (cash basis). And, of the total number of gifts received, 29,983 were annual gifts with contributions totaling $7,235,443. These contributions from alumni, friends, parents, corporations, foundations, faculty, staff and students visibly demonstrated a desire to help improve the quality of education at Missouri State. In addition to the outright gifts, an additional $3,296,200 in new deferred gift commitments was received.

The market value of the endowment pool at June 30, 2009, was $42,719,177. As the endowment grows, so do the opportunities for continued success of students and programs at the University. Since 1981 when the Foundation was established, nearly $160 million in outright gifts have been received, and another $34 million in deferred gifts have been committed, for a total of $194 million received or committed. Of the $160 million in outright gifts, annual gifts total $80 million, one-time gifts account for $40 million and an additional $40 million has been given through special campaigns.

Donors contributed to all areas of the University. From programs and facilities to scholarships and faculty awards, their generosity has benefited the campuses in Springfield, West Plains, Mountain Grove and China.

2008—2009 FINANCIAL REPORT Missouri State University Foundation

PRIVATE GIVING

A YEAR IN REVIEW

Missouri State is built on a diverse academic foundation. Throughout the past year, a number of alumni and friends of the University have offered support of the institution's devotion to first-class education. This continual support is crucial for our students' quest for success. Listed in the following pages is a summary of those gifts that have assisted hundreds of students, as well as faculty, programs and facilities.

Through a gift to Missouri State University, Dr. Jerry L. Atwood, BS, '64, established the Atwood Teaching and Research Award. It will be used to supplement the earnings of educators actively engaged in research through the College of Natural and Applied Sciences. Atwood's interest in chemistry started with a course he took under the now retired Dr. William J. Husa at Missouri State. "He thought I should major in chemistry. I subsequently had him for eight courses," he said. In turn, Atwood wants to support like-minded students in honor of his favorite professor and established the William J. Husa Chemistry Scholarship. It will annually benefit undergraduate students pursuing a degree in chemistry. Atwood currently serves as the curator's professor and chair of the chemistry department at the University of Missouri-Columbia and travels worldwide as an expert consultant in polymers, plastics and pharmaceuticals.

Shaun Hennessey, '89, and his wife, Laura, have established two endowed funds at Missouri State. The Hennessey Scholarship for the College of Arts and Letters is a deferred gift fund that will be used to provide a scholarship to an undergraduate or graduate student enrolled through the College of Arts and Letters. The Hennessey Fund for the Writing Center, founded in honor of Shaun's writing instructor Kristene Sutliff, who is an English professor and the assistant head of the University's English department, will supplement the funds available for the Writing Center. Hennessey is the director of development for St. Thomas More School in Oakdale, Connecticut.

Christina Ryder has proven that you're never too young to build a legacy of giving. As president of Christina Ryder and Associates LLC of Springfield, the company established a scholarship by making an annual gift through her company to support the CRA Applied Social Scientist Award. The scholarship is offered to an undergraduate student in Missouri State University's Department of Sociology, Anthropology and Criminology. Ryder emphasizes community service through her company and has developed an internship program, available to University Social Science and Technical Writing students, as well as the scholarship recipient. She said, "It's given us an opportunity to work with top-notch talent. It's also service opportunity for students."

In celebration of her 50th anniversary as a Missouri State alumna, Mary Asher Tearney, '58, and her husband, James, established two endowments. The Asher-Tearney Legacy Scholarship for Education and Engineering will be awarded to an undergraduate student from southwest Missouri who is studying engineering or education, the fields in which James and Mary held rewarding careers. The second endowment, the James F. and Mary Asher Tearney Fund for Library Resources, will provide annual funds to purchase resource materials.

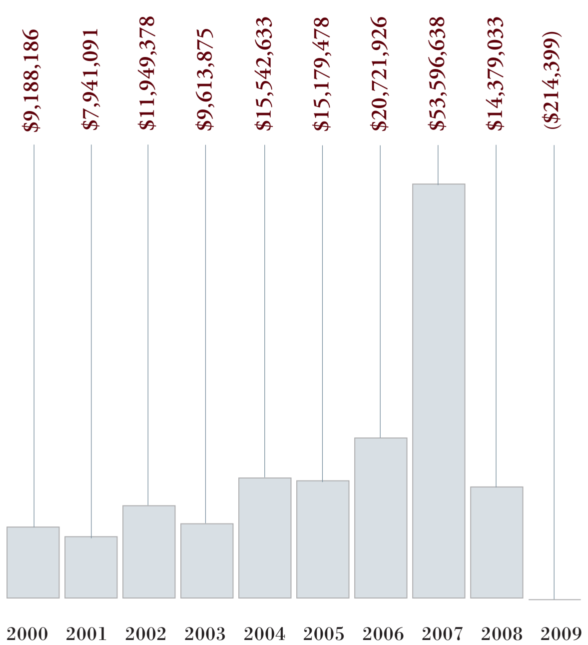
2008—2009 FINANCIAL REPORT Missouri State University Foundation

The Greenwood Laboratory School will have a new science addition, thanks to a significant lead gift from the McQueary Family of Springfield, Missouri. The addition, which will be to the south end of the building, has been a long-desired enhancement for Greenwood. It will include two classrooms with lab space, one for chemistry and physics and the other for biology. The plan is for the two rooms to be equipped so that high-quality science education can be provided electronically to other schools in southwest Missouri.

JQH Arena is an iconic tribute to Missouri State University intercollegiate athletics. Named for Missouri State alumnus John Q. Hammons for his lead gift of $30 million, its official opening blanketed the month of November 2008 with a sold-out concert and back-to-back, historic wins. Legendary rockers, the Eagles, performed to a packed house of more than 10,000 fans Nov. 13. The inaugural event showcased the arena's state-of-the-art rigging, sound and light capabilities. The Missouri State Bears and Lady Bears basketball home-openers followed shortly after. The first game in the arena was played Nov. 22, when the Bears drew a 62-57 victory over the Arkansas Razorbacks. Students and fans rushed the court following the momentous win. The Lady Bears followed suit with a 62-51 win over Arkansas State the following evening. A number of alumni, friends and area businesses have contributed toward the arena. Recognition of these gifts are seen throughout JQH Arena.

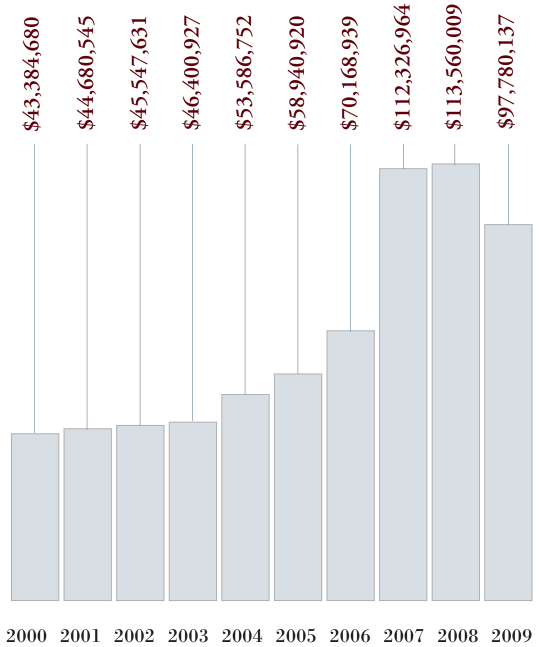
TOTAL OF ALL FUNDS

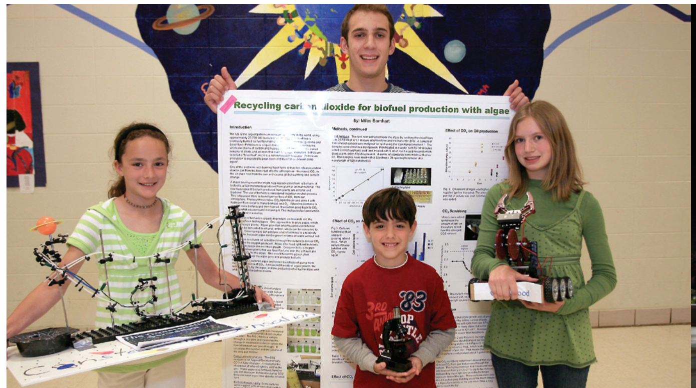
total revenues, gains and other support



TOTAL OF ALL FUNDS

total assets





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Independent Accountants' Report

Board of Directors
Missouri State University Foundation
Springfield, Missouri

We have audited the accompanying statement of financial position of Missouri State University Foundation as of June 30, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Foundation's June 30, 2008 financial statements and in our report dated September 30, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Missouri State University Foundation as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in *Note 12,* in 2009 the Foundation changed its method of accounting for fair value measurements in accordance with Statement of Financial Accounting Standards No. 157.

BKD, LLP

October 22, 2009

experience BKD

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GLOBAL ALLIANCE OF INDEPENDENT FIRMS

2008—2009 FINANCIAL REPORT Missouri State University Foundation

Statement of Financial Position

June 30, 2009 (with comparative totals for June 30, 2008)

		2009	2008
Assets	Cash and cash equivalents	$ 16,471,652	$ 8,884,513
	Accounts receivable, net	13,315	19,742
	Investments	42,789,672	60,347,217
	Investments held in trust	618,616	876,272
	Investments held for resale	165,660	123,126
	Pledges receivable, net	35,729,823	41,203,896
	Real estate held for resale	360,382	360,382
	Cash value of life insurance	483,273	518,186
	Construction in progress		252,877
	Real estate and equipment, at cost	2,991,817	2,738,940
	Accumulated depreciation	(1,844,073)	(1,765,142)
	Total Assets	$ 97,780,137	$ 113,560,009
Liabilities	Accounts payable and accrued expenses	$ 97,558	$ 333,049
	Pledges payable	114,600	114,600
	Annuity obligations	402,577	517,121
	Funds managed for Missouri State University	199,762	199,762
	Total Liabilities	814,497	1,164,532
Net Assets	Unrestricted	3,436,850	6,677,687
	Temporarily restricted	58,288,361	71,900,293
	Permanently restricted	35,240,429	33,817,497
	Total Net Assets	96,965,640	112,395,477
	Total Liabilities and Net Assets	$ 97,780,137	$ 113,560,009

See Notes to Financial Statements

2008—2009 FINANCIAL REPORT Missouri State University Foundation

Statement of Activities

Year ended June 30, 2009 (with comparative totals for June 30, 2008)

		Unrestricted	Temporarily Restricted	Permanently Restricted	2009 Total	2008 Total
Revenues, Gains and Other Support	Contributions	$ 334,931	$ 7,836,319	$ 1,443,970	$ 9,615,220	$ 15,472,253
	Investment return	(2,909,705)	(7,861,714)		(10,771,419)	(2,304,846)
	Gain (loss) on assets held in trust		(6,695)	(77,305)	(84,000)	(9,424)
	Life insurance cash value increase (decrease)	(1,993)	(32,920)		(34,913)	30,257
	Rental income	698,829			698,829	690,207
	Other income	46,219	239,948	75,717	361,884	500,586
	Net assets released from restrictions	13,664,307	(13,664,307)			
	Total Revenues, Gains and Other Support	11,832,588	(13,489,369)	1,442,382	(214,399)	14,379,033
Expenses and Losses	Instruction and academic program support	1,661,545			1,661,545	2,078,933
	Student services	3,679,222			3,679,222	2,580,739
	Institutional support	238,432			238,432	213,392
	Scholarships	1,530,425			1,530,425	1,601,401
	Broadcast services	1,298,713			1,298,713	954,877
	Rental expenses	511,262			511,262	560,041
	Capital projects – Missouri State University	3,356,620			3,356,620	1,729,548
	JQH Arena debt service	1,915,209			1,915,209	1,858,501
	Costs of direct benefits to donors	105,278			105,278	232,148
	Fund raising	751,323			751,323	825,453
	Total Expenses	15,048,029			15,048,029	12,635,033
	Actuarial (gain) loss on trust and annuity obligations	25,396	(54,112)	10,878	(17,838)	41,318
	Provision for uncollectible pledges		176,675	8,572	185,247	338,856
	Reduction in value of real estate held for resale					163,000
	Total Expenses and Losses	15,073,425	122,563	19,450	15,215,438	13,178,207
	Change in Net Assets	(3,240,837)	(13,611,932)	1,422,932	(15,429,837)	1,200,826
	Net Assets, Beginning of Year	6,677,687	71,900,293	33,817,497	112,395,477	111,194,651
	Net Assets, End of Year	$ 3,436,850	$ 58,288,361	$ 35,240,429	$ 96,965,640	$ 112,395,477

See Notes to Financial Statements

Statement of Cash Flows

Year ended June 30, 2009 (with comparative totals for June 30, 2008)

		2009	2008
Cash Flows From Operating Activities	Change in net assets	$ (15,429,837)	$ 1,200,826
	Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities		
	Depreciation	78,931	68,779
	Reduction in value of real estate held for resale		163,000
	Net realized and unrealized losses on investments	11,331,684	3,136,755
	Net realized and unrealized losses on investments held in trust	84,000	9,424
	Actuarial (gain) loss on trust and annuity obligation	(17,838)	41,318
	Non-cash gifts	(399,917)	(947,666)
	(Gain) loss on sale of securities	(7,944)	43,018
	Changes in:		
	Accounts receivable	6,427	8,319
	Pledges receivable	5,474,073	(1,139,376)
	Accounts payable and accrued expenses	(235,491)	(2,872)
	Pledges payable		(119,671)
	Annuity obligations	(96,706)	(56,844)
	Contributions restricted for long-term investment	(1,498,368)	(2,867,192)
	Other income restricted for long-term investment	(75,717)	(90,291)
	Net Cash And Cash Equivalents Used In Operating Activities	(786,703)	(552,473)
Cash Flows From Investing Activities	Proceeds from sale of investments	10,194,006	32,642,541
	Purchases of investments	(3,968,145)	(33,160,904)
	Proceeds from sale of investments held in trust	173,656	116,625
	Proceeds from sale of securities	365,327	922,759
	Fixed asset acquisitions		(82,589)
	Increase in cash value of life insurance	34,913	(30,257)
	Net Cash And Cash Equivalents Provided By Investing Activities	6,799,757	408,175
Cash Flows From Financing Activities	Proceeds from contributions restricted for investment in endowment	1,498,368	2,867,192
	Other income restricted for reinvestment	75,717	90,291
	Net Cash And Cash Equivalents Provided By Financing Activities	1,574,085	2,957,483
	Increase in Cash and Cash Equivalents	7,587,139	2,813,185
	Cash and Cash Equivalents, Beginning of Year	8,884,513	6,071,328
	Cash and Cash Equivalents, End of Year	$ 16,471,652	$ 8,884,513
	Supplemental Data		
	Accounts payable incurred for construction in progress	$	$ 170,288

See Notes to Financial Statements

2008—2009 FINANCIAL REPORT Missouri State University Foundation

Notes to Financial Statements June 30, 2009

Note 1: Summary of Significant Accounting Principles

Purpose of the Foundation

The purpose of the Missouri State University Foundation, previously Southwest Missouri State University Foundation, is to be the legal vehicle to receive, manage and distribute all private gifts, restricted and unrestricted, for the benefit of Missouri State University, or its successors, or any institution of higher learning with which it may merge. The Foundation provides funds from private sources to a variety of University departments and programs.

The Board of Directors which governs the Foundation is separate and distinct from the Board of Governors, the governing body of the University.

The Foundation's primary source of revenue is from contributions and their investment return.

Description of Net Assets

The net assets of the Foundation are reported in the following categories:

A. Unrestricted Net Assets—net assets that are neither permanently nor temporarily restricted by donor-imposed stipulations, and are expendable for any purpose.

B. Temporarily Restricted Net Assets—net assets which result from donor-imposed restrictions that permit the Foundation to expend the donated assets as specified, and are satisfied by either the passage of time or by actions of the Foundation.

C. Permanently Restricted Net Assets—net assets which result from donor-imposed restrictions that such assets be maintained permanently, but permit the Foundation to expend part of the income and gains derived from the donated assets.

Cash and Cash Equivalents

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2009, cash equivalents consisted primarily of money market accounts with brokers.

The financial institutions holding the Foundation's cash accounts are participating in the FDIC's Transaction Account Guarantee Program. Under the program, through December 31, 2009, all non interest-bearing transaction accounts at these institutions are fully guaranteed by the FDIC for the entire amount in the account.

Effective October 3, 2008, the FDIC's insurance limits increased to $250,000. The increase in federally insured limits is currently set to expire December 31, 2013. At June 30, 2009, the Foundation's interest-bearing cash accounts exceeded federally insured limits by approximately $365,000.

Contributions and Pledges Receivable

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Gifts of land, buildings, equipment and other long-lived assets are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as temporarily or permanently restricted revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in

reclassification of temporarily restricted net assets to unrestricted net assets are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

Real Estate and Equipment

Buildings, improvements and equipment are depreciated over the estimated useful life of each asset. Annual depreciation is computed using the straight-line method. Real estate and equipment includes tenant remodeling improvements of $74,695 and equipment of $442,208.

Valuation of Gifts of Property

Gifts of real and personal property are reported at their estimated fair value as of the date the property is received. Fair value is determined either by a staff member of the University with expertise in the valuation of the particular property, or by appropriate documentation furnished by the donor.

Income Tax Exempt Status

The Foundation is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code; however, the Foundation is subject to federal income tax on any unrelated business taxable income.

Uncertain Tax Positions

In accordance with Financial Accounting Standards Board (FASB) Staff Position No. FIN 48-3, the Foundation has elected to defer the effective date of FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes,* until its fiscal year ending June 30, 2010. The Foundation has continued to account for any uncertain tax positions in accordance with literature that was authoratative immediately prior to the effective date of FIN 48, such as FASB Statement No. 109, *Accounting for Income Taxes,* and FASB Statement No. 5, *Accounting for Contingencies.*

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Comparative Amounts

The financial statements include certain prior year summarized information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the program and support services categories based on various methods.

Subsequent Events

Subsequent events have been evaluated through October 22, 2009, which is the date the financial statements were issued.

2008—2009 FINANCIAL REPORT Missouri State University Foundation

Notes to Financial Statements June 30, 2009

Note 2: Pooled Investments

Funds treated as endowment by the Foundation are managed as a pooled investment fund. This pool includes funds from the unrestricted, temporarily restricted and permanently restricted net asset classes. The various subsidiary accounts purchase shares in the investment pool when additions are received. The investment pool is operated on a unit market basis. The following schedule summarizes data related to the investment pool for the year ended June 30, 2009:

Pooled investments at market value	$	42,719,177
Number of pool shares		212,372
Market value per pool share	$	201.15
Fiscal year return		-20.0%
Interest and dividend earnings	$	199,239
Net losses	$	10,997,609

Endowment and other pooled assets consist of the following as of June 30, 2009:

Pooled investments from above	$	42,719,177
Non-pooled endowment assets		4,435,084
Total endowment and other pooled assets	$	47,154,261

Endowment and other pooled assets are included within:

Unrestricted net assets	$	(112,716)
Temporarily restricted net assets		11,826,786
Permanently restricted net assets		35,240,429
Funds managed for Missouri State University		199,762
Total endowment and other pooled assets	$	47,154,261

Note 3: Endowment

The Foundation's endowment consists of approximately 867 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's governing body has interpreted the State of Missouri Uniform Management of Institutional Funds Act (SUMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with SUMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

The composition of net assets by type of endowment fund at June 30, 2009 was:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009 Total
Donor-restricted endowment funds	$ (2,619,436)	$ 11,826,786	$ 34,997,273	$ 44,204,623
Board-designated endowment funds	2,506,720			2,506,720
Total endowment funds	$ (112,716)	$ 11,826,786	$ 34,997,273	$ 46,711,343

Changes in endowment net assets for the years ended June 30, 2009 were:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009 Total
Endowment net assets, beginning of year	$ 3,117,240	$ 21,380,549	$ 33,486,158	$ 57,983,947
Investment return:				
Investment income		247,977		247,977
Net appreciation (depreciation)	(3,287,126)	(7,710,390)		(10,997,516)
Total investment return				
Contributions			1,443,970	1,443,970
Other Income	45,548	4,340	75,717	125,605
Provision for Uncollectible Pledges			(8,572)	(8,572)
Appropriation of endowment assets for expenditure		(2,667,132)		(2,667,132)
Other Additions	11,622	571,442		583,064
Endowment net assets, end of year	$ (112,716)	$ 11,826,786	$ 34,997,273	$ 46,711,343

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Foundation is required to retain as a fund of perpetual duration pursuant to donor stipulation or SUMIFA. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets and aggregated approximately $2,600,000 at June 30, 2009. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after investment of new permanently restricted contributions and continued appropriation for certain purposes that was deemed prudent by the governing body.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Foundation must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the Foundation's policies, endowment assets are invested in a manner that is intended to produce results that exceed the endowment's financial requirement over time, while assuming a moderate level of investment risk. The Foundation expects its endowment funds to provide an average rate of return of approximately 9.4% annually over time. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation has a policy (the spending policy) of appropriating for expenditure each year 5.4% of its endowment fund's average fair value over the prior 36 months through the year end preceding the year in which expenditure is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 4% annually. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Notes to Financial Statements June 30, 2009

Note 4: Investments and Investment Return

Investments in equity securities and debt securities are carried at fair value. All other investments are valued at estimated fair value. The estimated fair value of investments in hedge funds, where a readily determinable market price is not available, has been estimated using the net asset value per share of investments. Investment income and gains that are restricted by donor stipulation are initially included in temporarily restricted net assets. When the restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets. Other investment income, gains and losses are reflected in the statement of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

While the Foundation does not invest directly in derivative securities, it does, through investment holdings with various money managers, indirectly hold these securities. The Foundation has significant investments in marketable securities, which are subject to price fluctuation. These instruments could potentially subject the Foundation to significant concentrations of market risk. This risk is controlled through a diversified portfolio and regular monitoring procedures.

Investments are summarized as follows:

Accrued income	$ 87,263
Money market accounts	122,985
Mutual funds	36,237,384
Real estate funds	1,536,140
U.S. Treasury securities	783,656
Corporate bonds	1,161,151
Hedge funds	2,375,725
Private Equity	481,868
Other	3,500
	$ 42,789,672

Investment return consists of the following:	
Investment income	$ 560,265
Net realized and unrealized losses investments reported at fair value	(11,331,684)
	$ (10,771,419)

Investments held in trust are deposited with Wachovia Balanced Fund or are in municipal bonds and other investments.

Investment expenses incurred for the year ended June 30, 2009, totaled $122,856.

Note 5: Related Party Transactions

The Foundation receives administrative support from the University without charge. The value of these services is not recorded as revenues or expenditures by the Foundation. The University pays the Foundation for space occupied by various University departments within the Kenneth E. Meyer Alumni Center. Rental payments for the year ended June 30, 2009, were $412,090 and are included in rental income. Pledges payable, accounts payable and accrued expenses include $175,128 due the University at June 30, 2009.

In 1982 the University's Board of Governors authorized the transfer of its endowment fund of $199,762 to the Foundation for management purposes. This balance is shown on the Foundation's statement of financial position as funds managed for Missouri State University. All investment earnings from these funds have been recorded in the accounting records of the Foundation. All endowment additions since 1982, including gifts, student fees designated for endowment, and other income, have been recorded in the Foundation accounting records.

Note 6: Other Assets

Investments Held for Resale

Investments held for resale consist of tangible personal property and publicly traded common stock which are carried at the fair value as of the date received. These investments totaled $165,660 at June 30, 2009.

Real Estate Held for Resale

Real estate held for resale consists of property donated to the Foundation, which is carried at the fair value as of the date of the gift, unless the fair value has declined subsequent to that date. This property totaled $360,382 at June 30, 2009.

Note 7: Split-Interest Agreements

The Foundation is one beneficiary of a perpetual split-interest trust which is held by others. The fair value of the Foundation interest in the trust at June 30, 2009, is $80,469. The income received by the Foundation from this trust was $6,591 for this fiscal year. The Foundation also is the beneficiary of four charitable remainder trusts with a fair value at June 30, 2009, of $538,147.

The Foundation has entered into annuity agreements with various individuals whereby the annuitants have given certain assets to the Foundation on the condition that the Foundation pay stipulated amounts periodically to the annuitants during their lifetime. Any assets remaining upon the death of the annuitants become the property of the Foundation and available for its use, subject to the restrictions of the annuity agreement, if any. The Foundation did not recognize any contribution revenue under these agreements during the year ended June 30, 2009.

The annuity obligation at June 30, 2009, of $402,577 was calculated over the terms of the agreements based on the rates for government securities with similar maturities.

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Notes to Financial Statements June 30, 2009

Note 8: Pledges Receivable

Pledges receivable are a credit risk to the extent donors choose not to complete their pledge payments. Discount rates ranged from .35% to 3.42% for the year ended 2009. Pledges receivable consist of the following unconditional promises to give at June 30, 2009:

Due in less than one year	$ 6,711,201
Due in one to five years	11,263,106
Due in more than five years	35,789,468
	53,763,775
Less: Allowance for doubtful accounts	254,805
Unamortized discount	17,779,147
	18,033,952
	$ 35,729,823

Pledges are included in the following net asset classification:

Temporarily Restricted	$ 31,719,920
Permanently Restricted	4,009,903
	$ 35,729,823

Note 9: Leases

Noncancelable leases for space in the Kenneth E. Meyer Alumni Center expire in various years through 2014. Several of these leases contain renewal options for periods ranging from one to three years. Future minimum lease income at June 30, 2009, is as follows: 2010–$590,379; 2011–$109,661; 2012–$98,890; 2013-$98,890; 2014-$41,204.

Note 10: Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

Any purpose, time restricted	$ 5,892
Instruction and academic program support	12,895,412
Student services	3,667,158
Institutional support	30,385,480
Scholarships	9,020,730
Broadcast services	2,313,689
	$ 58,288,361

Note 11: Permanently Restricted Net Assets

Permanently restricted net assets are restricted to investments in perpetuity, the revenue from which is expendable to support:

Instruction and academic program support	$ 11,429,313
Student services	1,413,644
Institutional support	1,221,326
Scholarships	21,103,277
Broadcast services	72,869
	$ 35,240,429

Note 12: Disclosures About Fair Value of Assets and Liabilities

Effective July 1, 2008, the University adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (FAS 157). FAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FAS 157 has been applied prospectively as of the beginning of the year.

FAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FAS 157 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include money market funds, equity securities and mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities include mutual funds, U.S. Treasuries, and corporate bonds. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy and include mutual funds, real estate funds, hedge funds and private equity funds.

Investments Held in Trust

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the investments are classified as Level 2 and Level 3 of the hierarchy.

Notes to Financial Statements June 30, 2009

The following table presents the fair value measurements of assets recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the FAS 157 fair value hierarchy in which the fair value measurements fall at June 30, 2009:

		Fair Value Measurement Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assests (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market accounts	$ 122,985	$ 122,985	$	$
Mutual funds	36,237,384	24,766,637	9,947,292	1,523,455
Real estate funds	1,536,140			1,536,140
U.S. Treasury securities	783,656		783,656	
Corporate bonds	1,161,151		1,161,151	
Hedge funds	2,375,725			2,375,725
Private equity	481,868			481,868
Other	3,500	3,500		
Investments held in trust:				
Mutual funds	446,975	446,975		
Municipal bonds	91,172		91,172	
Other	80,469			80,469

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statement of financial position using significant unobservable (Level 3) inputs:

	Mutual Funds	Real Estate Funds	Hedge Funds	Private Equity	Investments Held in Trust - Other
Balance July 1, 2008	$ 1,727,399	$ 3,503,134	$ 2,704,815	$ 185,000	$ 101,516
Total realized and unrealized gains and losses included in change in net assets	(203,944)	(1,966,994)	(329,090)	6,041	(21,047)
Purchases, issuances and settlements				290,827	
Balance June 30, 2009	$ 1,523,455	$ 1,536,140	$ 2,375,725	$ 481,868	$ 80,469

The following method and assumptions were used to estimate the fair value of all other of financial instruments recognized in the accompanying statement of financial position at amounts other than fair value.

Cash and Cash Equivalents and Accounts Receivable

The carrying amount approximates fair value.

Pledges Receivable

The carrying amount is a reasonable estimate of fair value as described in *Note 8.*

Annuities and Trusts Payable

Fair values of the annuity and trust obligations are based on the present value of the estimated annuity or other payments under such obligations.

Note 13: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant and current vulnerabilities due to certain concentrations. Those matters include the following:

Approximately 20% of the Foundation's total contributions revenue for 2009 was provided by one contributor. Approximately 76% of the net pledge receivable balance outstanding at June 30, 2009 was due from one contributor.

Current Economic Conditions

The current economic environment presents not-for-profit organizations with unprecedented circumstances and challenges, which in some cases have resulted in large declines in the fair value of investments and other assets, declines in contributions and constraints on liquidity. The financial statements have been prepared using values and information currently available to the Foundation.

Current economic conditions have made it difficult for many donors to continue to contribute to not-for-profit organizations. A significant decline in contribution revenue could have an adverse impact on the Foundation's future operating results.

In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values and allowances for contributions receivable that could negatively impact the Foundation's ability to maintain sufficient liquidity.

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PRIVATE GIVING

The loyalty of alumni and friends of the University was evident during Fiscal Year 2009. Nearly 27,000 donors contributed $15,044,534 (cash basis) to the Missouri State University Foundation for students, faculty, facilities and programs at Missouri State University. As part of that number, the Annual Fund, which supports annual needs of academic and other programs, received $7,235,443. The other $7,809,091 million was designated for special campaigns or were one-time gifts. In addition, nearly $3.3 million was recorded in deferred gift commitments during the fiscal year, which will provide further support at some point in the future. These kinds of commitments and participation of alumni, faculty, staff, students, parents, businesses, foundations and the community allow the University and its students many opportunities to advance and excel.

Endowed funds are essential to ongoing institutional planning and support. At the end of the fiscal year, the market value of the endowment pool assets stood at $42,719,177. In addition to providing scholarship support, endowments provide critical program support, fund ongoing maintenance and equipment needs, bring in guest artists and lecturers, and fund faculty growth and development.

The gifts received this past fiscal year came in many sizes and benefited students and programs across all campuses. Several donors established or contributed to endowed funds and scholarships to support programs including: the James F. and Mary Asher Tearney Fund for Library Resources, the Asher-Tearney Legacy Scholarship for Education and Engineering, Adeline E. Moore Scholarship Endowment, the Atwood Research and Teaching Award, Special Collections Rare Books Endowment, and the H. Douglas Adams Public Administration Research Fund. Also, several funds and scholarships were established or continued receiving support in the areas of arts and letters, business, and health and human services, just to name a few. Additionally, annual gifts continued for critical support of facilities and programs in the areas of Greenwood, JQH Arena, KSMU, Ozarks Public Television, the West Plains and Mountain Grove campuses, The Performance Society and The Bears Fund.

Whether gifts are made for immediate use, designated for permanent needs by funding endowments or planned through a deferred gift vehicle, all gifts are important to Missouri State University. Across the University, many giving opportunities exist along with a range of giving options, from cash to stock to gifts which will pay income. All gifts advance the possibilities for Missouri State University students and help the University to fulfill its important mission.

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